

Louisiana Office of Community Development (OCD) and Louisiana Housing Finance Agency (LHFA) amends Consolidated Plan to include Neighborhood Stabilization Program activities

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September 29, 2008

Authored by: Louisiana Housing Finance Agency

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### Background:

On July 26, 2008 Congress passed bill H.R. 3221 commonly referred as the Housing and Economic Recovery Act of 2008.<sup>1</sup> Under this section, \$3.92 billion is set aside to provide emergency assistance for the redevelopment of abandoned and foreclosed homes. Congress also indicated in the bill that the U.S. Department of Housing and Urban Development (HUD) would establish the formula allocation and fund “states and units of general local government with the greatest need, as such need is determined in the discretion of the Secretary”. On September 26, HUD released their Methodology for Allocation of \$3.92 billion along with the list of states and local governments who will receive the allocation and their amounts. Louisiana’s state allocation amount is \$34,183,994 million dollars while local government allocation for Baton Rouge is \$2,308,848 million and New Orleans is \$2,302,208.

On September 29, the Federal Register published and released HUD’s notice to implement its newly created program, Neighborhood Stabilization Program (NSP). NSP will be regulated under HUD’s existing Community and Development Planning through Community Development Block Grant (CDBG). LHFA will develop the Action Plan through OCD, who will serve as the lead and responsible entity. OCD will monitor LHFA as it implements the NSP Action Plan.

HUD has established the following **eligible funding uses** under NPS Properties:

- Establish financing mechanism for purchase and redevelopment of foreclosed upon homes and residential properties, including soft-seconds, loan loss reserves, and shared-equity loans for low, moderate and middle income homebuyers;
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- Establish land banks for homes that have been foreclosed upon;
- Demolish blighted structures and;
- Redevelop demolished or vacant properties

<sup>1</sup> IN THE SENATE OF THE UNITED STATES—110<sup>TH</sup> Congress, 2d Session H.R.3221  
[http://www.house.gov/apps/list/press/financialsvcs\\_dem/hr3221\\_bill\\_text.pdf](http://www.house.gov/apps/list/press/financialsvcs_dem/hr3221_bill_text.pdf)

HUD has established that the states and local government units give priorities emphasis in targeting that they receive to metropolitan areas, metropolitan cities, urban areas, rural areas, low and moderate income areas and other areas with the greatest needs, including those with:

- with the greatest percentage of home foreclosures;
- with the highest percentage of homes financed by a subprime related loan;
- indentified by the State or local government as likely to face a significant rise in the rate of home foreclosures.

#### **Required Elements of Action Plan to HUD:**

- Summary needs data identifying areas of greatest need within its jurisdiction;
- Narrative describing how the distribution and use of funds will meet the statutory requirement that funds be targeted to areas of greatest need according to the formula elements; definition of blighted structures in the context of the state or local law and information on their demolition and conversion activities;
- Definition of “blighted structures” and “affordable rents” when using the fund for rental housing;
- Description of how the grantee will ensure continued affordability for NSP, eligible CDBG activities, areas of greatest need, expected benefit to income qualified households and appropriate performance measures (units to be acquired, rehabbed or demolished for income levels at or below 50% of area medium income (very low-income), 51-80% of AMI (low-income), and 81-120% of AMI (middle income);
- Name and location of entity to carry-out the activity;
- Expected start and end date;
- The discount for acquisition to be used (5% from current appraised market value for single purchases and 15% for bulk purchases;
- Range of interest rate;
- Duration of term of assistance;
- Tenure of beneficiaries (rental or homeownership);
- Statement on how the activity will benefit households at or below 50% of medium income; and
- Reference on how and whom citizens may contact for information

#### **LHFA’S STRATEGIES TO DEVELOP AND SUBMIT ACTION PLAN:**

- **Establish the NSP Core Group** – Staff members of LHFA, OCD, and the Louisiana Recovery Authority (LRA) will comprise this core group. Roles and responsibilities of the core group include developing program parameters, criteria and provide fiscal obligations of allocated funds.  
**September 29 through December 1, 2008**

- **Collect data on Louisiana foreclosure statistics** – LHFA will contract with a third party to map data sets provided by HUD. FDIC will also provide foreclosure data to LHFA. HUD Data sets include Mortgage Bankers Association National Delinquency Survey, Office of Fair Housing and Equal Opportunity, Home Mortgage Disclosure Act, United States Postal Service Vacancy Data and Department of Labor. The contractor will also provide mortgage and foreclosure statistics parish by parish, block by block correlated against the income criteria stipulated by HUD with the following emphasis:
  1. with the greatest percentage of home foreclosures;
  2. with the highest percentage of homes financed by a subprime related loan;
  3. indentified by the State or local government as likely to face a significant rise in the rate of home foreclosures

**October 3rd, 2008 – LHFA provides contractor with HUD and FDIC Datasets**

**October 15<sup>th</sup>, 2008 – Contractor completes mapping of Datasets**

- **Set measurable program/initiative targets** -- for the number of foreclosure properties abandon to be place back into the market for sale and or rent; number of families assisted foreclosure upon who received soft-second grants; number of properties obtain and placed into Land Trust then placed back into commerce; number of families receiving assistance up to 120% area medium income; number of families receiving assistance 50% and below area medium income.

**October 17<sup>th</sup> – LHFA will finalized all targets**

- **LHFA amends Consolidate Plan to include Neighborhood Stabilization Plan according to the following benchmarks; :**
  1. Summary needs data identifying areas of greatest need within its jurisdiction;  
*Task completed by October 24th*
  2. Narrative describing how the distribution and use of funds will meet the statutory requirement that funds be targeted to areas of greatest need according to the formula elements; definition of blighted structures in the context of the state or local law and information on their demolition and conversion activities;  
*Task completed by October 10th*
  3. Definition of “blighted structures” and “affordable rents” when using the fund for rental housing;  
*Task completed by October 10<sup>th</sup>*
  4. Description of how the grantee will ensure continued affordability for NSP, eligible CDBG activities, areas of greatest need, expected benefit to income qualified households and appropriate performance measures (units to be acquired, rehabbed or demolished for income levels at or below 50% of area medium income (very low-income), 51-80% of AMI (low-income), and 81-120% of AMI (middle income)  
*Task completed by October 10<sup>th</sup>*

- **LHFA submits draft amended Consolidate Plan to include NSP to OCD for review and final approval**

*Task completed by November 14<sup>th</sup>*

- **OCD publish amended Consolidated Plan on OCD and LHFA's website**

*Task completed by November 14<sup>th</sup>*

- **OCD submit amended Consolidated Plan to HUD to NSP activities November 24th**

#### **LHFA Proposed Activities:**

1. Provide funding set-asides for rehab and redevelopment projects (rental and homeowner) that did not receive a direct set -aside under the NSP as identified by HUD within their datasets:
  - A. Alexandria
  - B. Bossier City
  - C. Houma
  - D. Kenner
  - E. Lafayette
  - F. Lake Charles
  - G. Monroe
  - H. Shreveport
  - I. Slidell
  - J. Thibodeaux
  - K. Jefferson Parish
  - L. St. Tammany
2. Provide a general funding round through a request for proposal (RFP) for rehab and redevelopment projects (rental and homeowner) outside of the set-aside established by HUD.
3. Explore partnerships with land banks of foreclosed and abandon properties to place back into commerce.
4. Provide soft-seconds to low, moderate and middle income Louisiana residents for purchase and redevelopment of foreclosure properties. Utilize LHFA's existing Mortgage Revenue Bond Program and other mortgage products to allow families to purchase these properties.